

PERIOD 9: 1980–Present

Chapter 30 *Conservative Resurgence, 1980–2000*

Chapter 31 *Challenges of the 21st Century, 2000–Present*

The election of Ronald Reagan in 1980 signaled the closing of the chapter on the post-war era, and the emergence of a decidedly more conservative political era.

Overview The decline of faith in the federal government’s ability to solve social and economic problems, the championing of unregulated markets by American corporations and the growth of religious fundamentalism combined to give conservatism new life. The demographic growth of the Sunbelt and the shift of Southern white conservative voters to the Republican Party also helped create an electoral majority. Conservatives achieved some of their goals, but the enduring popularity of government programs, such as Social Security and Medicare limited the amount of actual change.

The Reagan administration pursued an aggressive anti-communist foreign policy, but the end of the Cold War took away the forty-five-year focus of U.S. foreign policy. After the terrorists’ attacks of September 11, 2001, the United States quickly became involved in wars in Afghanistan and Iraq with a new focus on homeland security.

The Great Recession of 2008 and demographic and cultures changes deepened the political divide in the nation, between an older white population who dominated the Tea Party movement and a younger multicultural society who represented the new emerging majority.

Alternate View Analysis of the last six presidential elections suggests that the conservative resurgence on the national level was short-lived, and if the disputed election of 2000 had gone the other way, the narrative of the period would have been considerably different.

Key Concepts

9.1: A newly ascendant conservative movement achieved several political and policy goals during the 1980s and continued to strongly influence public discourse in the following decades.

9.2: Moving into the 21st century, the nation experienced significant technological, economic, and demographic changes.

9.3: The end of the Cold War and new challenges to U.S. leadership forced the nation to redefine its foreign policy and role in the world.

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CONSERVATIVE RESURGENCE, 1980–2000

*In this present crisis, government is not the solution to our problem;
government is the problem.*

President Ronald Reagan, Inaugural Address, January 20, 1981

The most important changes during the 1980s and 1990s included the collapse of communism in Eastern Europe, the breakup of the Soviet Union, and the end of the Cold War. In the post-Cold War world, older ethnic and religious conflicts reemerged to threaten the peace with civil wars and terrorism. On the domestic scene, the conservative agenda of the Reagan administration (1981–1989)—for a stronger military, lower taxes, fewer social programs, and traditional cultural values—helped the Republicans to dominate much of national politics in the 1980s and 1990s.

The Rise of Conservatism

Even though Barry Goldwater was defeated in a landslide in the election of 1964, his campaign for the presidency marked the beginning of the resurgence of conservatism. The policies of presidents Nixon and Ford and the writings of the conservative political commentator William F. Buckley Jr. and the free-market economist Milton Friedman gave evidence in the 1970s of a steady shift to the right, away from the liberalism of the 1960s. By 1980, a loose coalition of economic and political conservatives, religious fundamentalists, and political action committees (PACs) had become a potent force for change. These groups opposed big government, New Deal liberalism, gun control, feminism, gay rights, welfare, affirmative action, sexual permissiveness, abortion, and drug use. They believed that these issues were undermining family and religious values, the work ethic, and national security.

Leading Issues

By 1980, various activists had taken the lead in establishing a conservative agenda for the nation, which included such diverse causes as lower taxes, changed morals, and reduced emphasis on affirmative action.

Taxpayers' Revolt In 1978, California voters led the revolt against increasing taxes by passing Proposition 13, a measure that sharply cut property

taxes. Nationally, conservatives promoted economist Arthur Laffer's belief that tax cuts would increase government revenues. Two Republican members of Congress, Jack Kemp and William Roth, proposed legislation to reduce federal taxes by 30 percent, which became the basis for the Reagan tax cuts.

Conservative Religious Revival Moral decay was a weekly theme of religious leaders on television such as Pat Robertson, Oral Roberts, and Jim Baker. By 1980, televangelists had a combined weekly audience of between 60 and 100 million viewers. Religion became an instrument of electoral politics when an evangelist from Virginia, Jerry Falwell, founded the Moral Majority, which financed campaigns to unseat liberal members of Congress. Religious fundamentalists attacked "secular humanism" as a godless creed taking over public education and also campaigned for the return of prayers and the teaching of the Biblical account of creation in public schools. The legalization of abortion in the *Roe v. Wade* (1973) decision sparked the right-to-life movement. This movement united Catholics and fundamentalist Protestants, who believed that human life begins at the moment of conception.

Elimination of Racial Preferences In 1965, President Johnson had committed the U.S. government to a policy of affirmative action to ensure that underprivileged minorities and women would have equal access to education, jobs, and promotions. Suffering through years of recession and stagflation in the 1970s, many whites blamed their troubles on affirmative action, calling it "reverse discrimination." In a landmark court case challenging the admissions policies of one medical school, *Regents of the University of California v. Bakke* (1978), the Supreme Court ruled that while race could be considered, the school had created racial quotas, which were unconstitutional. Using this decision, conservatives intensified their campaign to end all preferences based on race and ethnicity.

De-Regulation of Business Starting in the 1970s, business interests launched a very successful campaign to mobilize and influence federal and state governments to curtail regulations, lower taxes, and weaken labor unions. Business donors created "think tanks," such as the American Enterprise Institute, the Heritage Foundation, and the Cato Institute, to promote free-market ideas, while the U.S. Chamber of Commerce lobbied for pro-business legislation.

Ronald Reagan and the Election of 1980

Ronald Reagan, a well-known movie and television actor, gained fame among Republicans as an effective political speaker in the 1964 Goldwater campaign. He was soon elected the governor of California, the nation's most populous state. By 1976, Reagan was the party's leading spokesperson for conservative positions, and he almost defeated President Ford for the nomination. Handsome and vigorous in his late sixties, he proved a master of the media and was seen by millions as a likable and sensible champion of average Americans. In 1980, Reagan won the Republican nomination.

Campaign for President, 1980 Senator Edward Kennedy's challenge to President Carter for the Democratic nomination left Carter battered in the

polls. As the Republican nominee, Reagan attacked the Democrats for expanding government and for undermining U.S. prestige abroad. (Throughout the campaign, American hostages remained in the hands of Iranian radicals.) Reagan also pointed to a “misery index” of 28 (rate of inflation added to the rate of unemployment) and concluded his campaign by asking a huge television audience, “Are you better off now than you were four years ago?” The voters’ rejection of Carter’s presidency and the growing conservative mood gave Reagan 51 percent of the popular vote and almost 91 percent of the electoral vote. Carter received 41 percent of the popular vote. A third candidate, John Anderson, a moderate Republican running as an independent, received 8 percent.

Significance Reagan’s election broke up a key element of the New Deal coalition by taking more than 50 percent of the blue-collar vote. The defeat of 11 liberal Democratic senators targeted by the Moral Majority gave the Republicans control of the Senate for the first time since 1954. The Republicans also gained 33 seats in the House, which when combined with the votes of conservative southern Democrats, would give them a working majority on many key issues. The 1980 election ended a half-century of Democratic dominance of Congress.

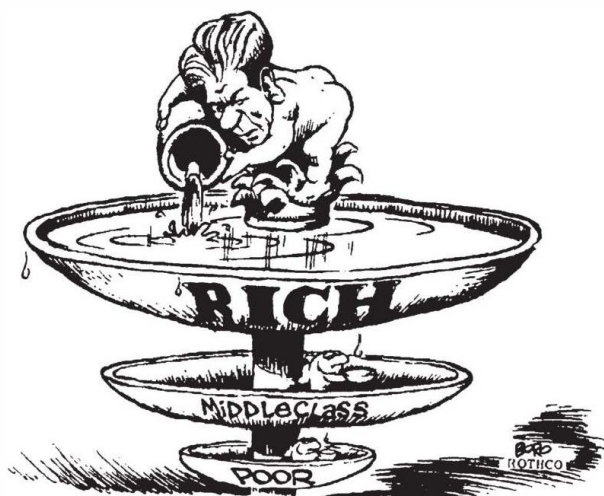
The Reagan Revolution

On the very day that Reagan was inaugurated, the Iranians released the 52 American hostages, giving his administration a positive start. Two months later, the president survived a serious gunshot wound from an assassination attempt. Reagan handled the crisis with such humor and charm that he emerged from the ordeal as an even more popular leader. He pledged that his administration would lower taxes, reduce government spending on welfare, build up the U.S. armed forces, and create a more conservative federal court. He delivered on all four promises—but there were costs.

Supply-Side Economics (“Reaganomics”)

The Reagan administration advocated supply-side economics, arguing that tax cuts and reduced government spending would increase investment by the private sector, which would lead to increased production, jobs, and prosperity. This approach contrasted with the Keynesian economics long favored by the Democrats, which relied on government spending during economic downturns to boost consumer income and demand. Critics of the supply-side theory compared it to the “trickle-down” economics of the 1920s, in which wealthy Americans prospered, and some of their increased spending benefited the middle class and the poor.

Federal Tax Reduction The legislative activity early in Reagan’s presidency reminded some in the media of FDR’s Hundred Days. Congress passed the Economic Recovery Act of 1981, which included a 25 percent decrease in personal income taxes over three years. Cuts in the corporate income tax, capital gains tax, and gift and inheritance taxes guaranteed that a large share of the tax relief went to upper-income taxpayers. Under Reagan, the top income



Source: Len Boro/Rothco

tax rate was reduced to 28 percent. At the same time, small investors were also helped by a provision that allowed them to invest up to \$2,000 a year in Individual Retirement Accounts (IRAs) without paying taxes on this money.

Spending Cuts With the help of conservative southern Democrats (“boll weevils”), the Republicans cut more than \$40 billion from domestic programs, such as food stamps, student loans, and mass transportation. However, these savings were offset by a dramatic increase in military spending. Reagan pushed through no cuts in Medicare or Social Security, but he did support and sign into law a bipartisan bill to strengthen Social Security. The law increased what individuals paid into the system, raised the age at which they could get full benefits to 67, and taxed some benefits paid to upper-income recipients.

Deregulation

Following up on the promise of “getting government off the backs of the people,” the Reagan administration reduced federal regulations on business and industry—a policy of deregulation begun under Carter. Restrictions were eased on savings and loan institutions, mergers and takeovers by large corporations, and environmental protection. To help the struggling American auto industry, regulations on emissions and auto safety were also reduced. Secretary of the Interior James Watt opened federal lands for increased coal and timber production and offshore waters for oil drilling.

Labor Unions

Despite having once been the president of the Screen Actors Guild, Reagan took a tough stand against unions. He fired thousands of striking federal air traffic controllers for violating their contract and decertified their union (PATCO). Many businesses followed this action by hiring striker replacements in labor conflicts. These anti-union policies along with the loss of manufacturing jobs hastened the decline of union membership among nonfarm workers

from more than 30 percent in 1962 to only 12 percent in the late 1990s. In addition, the recession of 1982 and foreign competition had a dampening effect on workers' wages.

Recession and Recovery

In 1982, the nation suffered the worst recession since the 1930s. Banks failed and unemployment reached 11 percent. However, the recession, along with a fall in oil prices, reduced the double-digit inflation rate of the late 1970s to less than 4 percent. As the policies of Reaganomics took hold, the economy rebounded and beginning in 1983 entered a long period of recovery. However, the recovery only widened the income gap between rich and poor. While upper-income groups, including well-educated workers and “yuppies” (young urban professionals) enjoyed higher incomes from a deregulated marketplace, the standard of living of the middle class remained stagnant or declined. Not until the late 1990s did the middle class gain back some of its losses.

Social Issues

President Reagan followed through on his pledge to appoint conservative judges to the Supreme Court by nominating Sandra Day O'Connor, the first woman on the Court, as well as Antonin Scalia and Anthony Kennedy. Led by a new chief justice, William Rehnquist, the Supreme Court scaled back affirmative action in hiring and promotions, and limited *Roe v. Wade* by allowing states to impose certain restrictions on abortion, such as requiring minors to notify their parents before having an abortion.

The Election of 1984

The return of prosperity, even if not fully shared by all Americans, restored public confidence in the Reagan administration. At their convention in 1984, Republicans nominated their popular president by acclamation. Among Democrats, Jesse Jackson became the first African American politician to make a strong run for the presidency by seeking the support of all minority groups under the banner of the National Rainbow Coalition. However, Democrats nominated Walter Mondale, Carter's vice president, to be their presidential candidate. For vice president, they chose Representative Geraldine Ferraro of New York, the first woman to run for vice president on a major party ticket.

President Reagan campaigned on an optimistic “It's Morning Again in America” theme. Reagan took every state except Mondale's home state of Minnesota. Two-thirds of white males voted for Reagan. Analysis of voting returns indicated that only two groups still favored the Democrats: African Americans and those earning less than \$12,500 a year.

Budget and Trade Deficits

By the mid-1980s, Reagan's tax cuts combined with large increases in military spending were creating federal deficits of more than \$200 billion a year. Over the course of Reagan's two terms as president, the national debt tripled from about \$900 billion to almost \$2.7 trillion. The tax cuts, designed to stimulate

investments, seemed only to increase consumption, especially of foreign-made luxury and consumer items. As a result, the U.S. trade deficit reached a then-staggering \$150 billion a year. The cumulative trade imbalance of \$1 trillion during the 1980s contributed to a dramatic increase in the foreign ownership of U.S. real estate and industry. In 1985, for the first time since the World War I era, the United States became a debtor nation.

In an effort to reduce the federal deficit, Congress in 1985 passed the Gramm-Rudman-Hollings Balanced Budget Act, which provided for across-the-board spending cuts. Court rulings and later congressional changes kept this legislation from achieving its full purpose, but Congress was still able to reduce the deficit by \$66 billion from 1986 to 1988.

Impact of Reaganomics

President Reagan's two terms reduced restrictions on a free-market economy and put more money in the hands of investors and higher income Americans. Reagan's policies also succeeded in containing the growth of the New Deal-Great Society welfare state. Another legacy of the Reagan years were the huge federal deficits of \$200 to 300 billion a year, which changed the context of future political debates. With yearly deficits running between \$200 and \$300 billion, it no longer seemed reasonable for either Democrats or Republicans to propose new social programs, such as universal health coverage. Instead of asking what new government programs might be needed, Reaganomics changed the debate to issues of which government programs to cut and by how much.

Foreign Policy During the Reagan Years

Reagan started his presidency determined to restore the military might and superpower prestige of the United States and to intensify the Cold War competition with the Soviet Union. He called the Soviet Communists "the evil empire" and "focus of evil in the modern world." Reagan was prepared to use military force to back up his rhetoric. During his second term, however, he proved flexible enough in his foreign policy to respond to significant changes in the Soviet Union and its satellites in Eastern Europe.

Renewing the Cold War

Increased spending for defense and aid to anti-communist forces in Latin America were the hallmarks of Reagan's approach to the Cold War during his first term.

Military Buildup The Reagan administration spent billions to build new weapons systems, such as the B-1 bomber and the MX missile, and to expand the U.S. Navy from 450 to 600 ships. The administration also increased spending on the Strategic Defense Initiative (SDI), an ambitious plan for building a high-tech system of lasers and particle beams to destroy enemy missiles before they could reach U.S. territory. Critics called the SDI "Star Wars" and argued that the costly program would only escalate the arms race and could be overwhelmed by the Soviets building more missiles. Although Congress made

some cuts in the Reagan proposals, the defense budget grew from \$171 billion in 1981 to more than \$300 billion in 1985.

Central America In the Americas, Reagan supported “friendly” right-wing dictators to keep out communism. In Nicaragua in 1979, a Marxist movement known as the Sandinistas had overthrown the country’s dictator. In response, the United States provided significant military aid to the “contras” in their effort to dislodge the Sandinistas. In 1985, Democrats opposed to the administration’s policies in Nicaragua passed the Boland Amendment, which prohibited further aid to the contras.

In El Salvador, meanwhile, the Reagan administration spent nearly \$5 billion to support the Salvadoran government against a coalition of leftist guerrillas. Many Americans protested the killing of more than 40,000 civilians, including American missionaries, by right-wing “death squads” with connections to the El Salvador army.

Grenada On the small Caribbean island of Grenada, a coup led to the establishment of a pro-Cuban regime. In October 1983, President Reagan ordered a small force of marines to invade the island in order to prevent the establishment of a strategic Communist military base in the Americas. The invasion quickly succeeded in re-establishing a pro-U.S. government in Grenada.

Iran-Contra Affair If Grenada was the notable military triumph of Reagan’s presidency, his efforts to aid the Nicaraguan contras involved him in a serious blunder and scandal. The so-called Iran-contra affair had its origins in U.S. troubles with Iran. Since 1980, Iran and Iraq had been engaged in a bloody war. Reagan aides came up with the plan—kept secret from the American public—of selling U.S. antitank and anti-aircraft missiles to Iran’s government for its help in freeing the Americans held hostage by a radical Arab group. In 1986, another Reagan staff member had the “great idea” to use the profits of the arms deal with Iran to fund the contras in Nicaragua.

President Reagan denied that he had knowledge of the illegal diversion of funds—illegal in that it violated both the Boland Amendment and congressional budget authority. The picture that emerged from a televised congressional investigation was of an uninformed, hands-off president who was easily manipulated by his advisers. Reagan suffered a sharp, but temporary, drop in the popularity polls.

Lebanon, Israel, and the PLO

Reagan suffered a series of setbacks in the Middle East. In 1982, Israel (with U.S. approval) invaded southern Lebanon to stop Palestinian Liberation Organization (PLO) terrorists from raiding Israel. Soon the United States sent peacekeeping forces into Lebanon in an effort to contain that country’s bitter civil war. In April 1983, an Arab suicide squad bombed the U.S. embassy in Beirut, killing 63 people. A few months later, another Arab terrorist drove a bomb-filled truck into the U.S. Marines barracks, killing 241 servicemen. In 1984, Reagan pulled U.S. forces out of Lebanon, with little to show for the effort and loss of lives.

Secretary of State George Schultz pushed for a peaceful settlement of the Palestinian-Israeli conflict by setting up a homeland for the PLO in the West

Bank territories occupied by Israel since the 1967 war. Under U.S. pressure, PLO leader Yasser Arafat agreed in 1988 to recognize Israel's right to exist.

Improved U.S.-Soviet Relations

The Cold War intensified in the early 1980s as a result of both Reagan's arms buildup and the Soviet deployment of a larger number of missiles against NATO countries. In 1985, however, a dynamic reformer, Mikhail Gorbachev, became the new Soviet leader. Gorbachev attempted to change Soviet domestic politics by introducing two major reforms: (1) *glasnost*, or openness, to end political repression and move toward greater political freedom for Soviet citizens, and (2) *perestroika*, or restructuring of the Soviet economy by introducing some free-market practices. To achieve his reforms, Gorbachev wanted to end the costly arms race and deal with a deteriorating Soviet economy. In 1987, President Reagan challenged the Soviet leader to follow through with his reforms. In front of Brandenburg Gate and the Berlin Wall, a divisive symbol of the Cold War, Reagan ended his speech with the line, "Mr. Gorbachev, tear down this wall."

Gorbachev and Reagan did agree to remove and destroy all intermediate-range missiles (the INF agreement). In 1988, Gorbachev further reduced Cold War tensions by starting the pullout of Soviet troops from Afghanistan. He also cooperated with the United States in putting diplomatic pressure on Iran and Iraq to end their war. By the end of Reagan's second term, superpower relations had so improved that the end of the Cold War seemed at hand.

Assessing Reagan's Policy The Reagan administration argued that its military buildup forced the Soviet Union to concede defeat and abandon the

Cold War. Some have concluded that Gorbachev ended the Cold War in order to reform the troubled Communist economic and political system. And yet others have given credit to George Kennan's containment policies. Whatever caused the Soviets to change their policy, Reagan responded by seizing the opportunity to end the Cold War.



Source: Edmund S. Valtman / Library of Congress. 1991

By the end of Reagan's second term in 1988, "the Great Communicator's" combination of style, humor, and expressions of patriotism had won over the electorate. He would leave office as one of the most popular presidents of the 20th century. In addition, he changed the politics of the nation for at least a generation by bringing many former Democrats into the Republican party.

George H. W. Bush and the End of the Cold War

The Cold War had threatened the very existence of humankind. At the same time, ever since 1945, the conflict had given clear purpose and structure to U.S. foreign policy. What would be the role of the United States in the world *after* the Cold War? George H. W. Bush, a former ambassador to the United Nations and director of the CIA (and the father of President George W. Bush), became the first president to define the country's role in the new era.

The Election of 1988

The Democrats regained control of the Senate in 1986 and expected that the Iran-contra scandal and the huge deficits under Reagan would hurt the Republicans in the presidential race of 1988. Michael Dukakis, governor of Massachusetts, won the Democratic nomination and balanced the ticket by selecting Senator Lloyd Bentsen of Texas as his running mate. The Republican candidates were Reagan's vice president, George H. W. Bush, and a young Indiana senator, Dan Quayle. Bush did not have Reagan's ease in front of the camera, but he quickly overtook an expressionless Dukakis by charging that the Democrat was soft on crime (for furloughing criminals) and weak on national defense. Bush also appealed to voters by promising not to raise taxes: "Read my lips—no new taxes."

The Republicans won a decisive victory in November by a margin of 7 million votes. Once again, the Democrats failed to win the confidence of most white middle-class voters. Nevertheless, the voters sent mixed signals by returning larger Democratic majorities to both the House and the Senate. Americans evidently believed in the system of checks and balances, but it often produced legislative gridlock in Washington.

The Collapse of Soviet Communism and the Soviet Union

The first years of the Bush administration were dominated by dramatic changes in the Communist world.

Tiananmen Square In China during the spring of 1989, prodemocracy students demonstrated for freedom in Beijing's Tiananmen Square. Television cameras from the West broadcast the democracy movement around the world. Under the cover of night, the Chinese Communist government crushed the protest with tanks, killing hundreds and ending the brief flowering of an open political environment in China.

Eastern Europe Challenges to communism in Eastern Europe produced more positive results. Gorbachev declared that he would no longer support the various Communist governments of Eastern Europe with Soviet armed forces.

Starting in Poland in 1989 with the election of Lech Walesa, the leader of the once-outlawed Solidarity movement, the Communist party fell from power in one country after another—Hungary, Czechoslovakia, Bulgaria, and Romania. The Communists in East Germany were forced out of power after protesters tore down the Berlin Wall, the hated symbol of the Cold War. In October 1990, the two Germanys, divided since 1945, were finally reunited with the blessing of both NATO and the Soviet Union.

Breakup of the Soviet Union The swift march of events and the nationalist desire for self-determination soon overwhelmed Gorbachev and the Soviet Union. In 1990 the Soviet Baltic republics of Estonia, Latvia, and Lithuania declared their independence. After a failed coup against Gorbachev by Communist hard-liners, the remaining republics dissolved the Soviet Union in December 1991, leaving Gorbachev a leader with no country. Boris Yeltsin, president of the Russian Republic, joined with nine former Soviet republics to form a loose confederation, the Commonwealth of Independent States (CIS). Yeltsin disbanded the Communist party in Russia and attempted to establish a democracy and a free-market economy.

End of the Cold War Sweeping agreements to dismantle their nuclear weapons were one piece of tangible proof that the Cold War had ended. Bush and Gorbachev signed the START I agreement in 1991, reducing the number of nuclear warheads to under 10,000 for each side. In late 1992, Bush and Yeltsin agreed to a START II treaty, which reduced the number of nuclear weapons to just over 3,000 each. The treaty also offered U.S. economic assistance to the troubled Russian economy.

EASTERN EUROPE AFTER THE FALL OF COMMUNISM



Even as Soviet Communism collapsed, President Bush, a seasoned diplomat, remained cautious. Instead of celebrating final victory in the Cold War, Americans grew concerned about the outbreak of civil wars and violence in the former Soviet Union. In Eastern Europe, Yugoslavia started to disintegrate in 1991, and a civil war broke out in the province of Bosnia and Herzegovina in 1992. At home, the end of the Cold War raised questions about whether the United States still needed such heavy defense spending and as many U.S. military bases around the world.

Invasion of Panama

Since the outbreak of the Cold War in the 1940s, U.S. intervention in foreign conflicts had been consistently tied to the containment of communism. In December 1989, U.S. troops were used for a different purpose, as Bush ordered the invasion of Panama to remove the autocratic General Manuel Noriega. The alleged purpose of the invasion was to stop Noriega from using his country as a drug pipeline to the United States. U.S. troops remained until elections established a more credible government.

Persian Gulf War

President Bush's hopes for a "new world order" of peace and democracy were challenged in August 1990 when Iraq's dictator, Saddam Hussein, invaded oil-rich but weak Kuwait. This move threatened Western oil sources in Saudi Arabia and the Persian Gulf. President Bush successfully built a coalition of United Nations members to pressure Hussein to withdraw from Kuwait. However, a U.N. embargo against Iraq had little effect. Bush won congressional approval for a military campaign to roll back Iraq's aggression. In January 1991, in a massive operation called Desert Storm, more than 500,000 Americans were joined by military units from 28 other nations. Five weeks of relentless air strikes were followed by a brilliant invasion led by U.S. General Norman Schwarzkopf. After only 100 hours of fighting on the ground, Iraq conceded defeat.

Some Americans were disappointed that the United States stopped short of driving Saddam Hussein from power in Iraq. Nevertheless, after the victory, Bush enjoyed a boost in his approval rating to nearly 90 percent.

Domestic Problems

President Bush's political future seemed secure based on his foreign policy successes, but a host of domestic problems dogged his administration.

Nomination of Clarence Thomas The president's nomination of Clarence Thomas to the Supreme Court to replace the retiring Thurgood Marshall proved extremely controversial. Thomas's conservative views on judicial issues and charges of sexual harassment against him particularly angered African Americans and women. Nevertheless, the Senate confirmed him.

Taxes and the Economy Americans were shocked to learn that the government's intervention to save weak savings and loan institutions (S&Ls) and to pay insured depositors for funds lost in failed S&Ls would cost the taxpayers

more than \$250 billion. Also disturbing were the federal budget deficits of more than \$250 billion a year. Many Republicans felt betrayed when, in 1990, Bush violated his campaign pledge of “no new taxes” by agreeing to accept the Democratic Congress’ proposed \$133 billion in new taxes. The unpopular tax law increased the top income tax rate to 31 percent and raised federal excise taxes on beer, wine, cigarettes, gasoline, luxury cars, and yachts. Most damaging of all for Bush’s re-election prospects was a recession starting in 1990 that ended the Reagan era of prosperity, increased unemployment, and decreased average family income.

Political Inertia President Bush began his administration calling for “a kinder, gentler America” and declaring himself the “education president.” He did sign into law the Americans With Disabilities Act (1990), which prohibited discrimination against citizens with physical and mental disabilities in hiring, transportation, and public accommodation. Outside of this accomplishment, the president offered little in the way of domestic policy. In the midst of recession, he emphasized cuts in federal programs. This seemed to offer little hope to growing numbers of Americans left behind by the “Reagan revolution.”

The Clinton Years: Prosperity and Partisanship

During the last years of the 20th century, the United States enjoyed a period of unrivaled economic growth and technological innovation. The end of the Cold War allowed Americans to focus more on economic and domestic issues. But, during this period, American politics became more divided and bitter.

Anti-Incumbent Mood

A stagnant economy, huge budget deficits, and political deadlock fueled a growing disillusionment with government, especially as practiced in the nation’s capital. The movement to impose term limits on elected officials gained popularity on the state level, but the Supreme Court ruled in *U.S. Term Limits Inc. v. Thornton* (1995) that the states could not limit the tenure of federal lawmakers without a constitutional amendment.

Another reflection of Americans’ disillusionment with Washington politics was the ratification in 1992 of the 27th Amendment. First proposed by James Madison in 1789, this amendment prohibited members of Congress from raising their own salaries. Future raises could not go into effect until the next session of Congress.

The Election of 1992

As expected, George H. Bush was nominated by the Republicans for a second term. After a long career in public service, the president seemed tired and out of touch with average Americans, who were more concerned about their paychecks than with Bush’s foreign policy successes.

William Jefferson Clinton Among Democrats, Bill Clinton, the youthful governor of Arkansas, emerged from the primaries as his party’s choice for president. The first member of the baby-boom generation to be nominated for

president, Clinton proved an articulate and energetic campaigner. He presented himself as a moderate “New Democrat,” who focused on economic issues such as jobs, education, and health care, which were important to the “vital center” of the electorate. The strategy was known among his political advisers as: “It’s the economy, stupid!”

H. Ross Perot Ross Perot, a Texas billionaire, entered the 1992 race for president as an independent. Able to use his own resources to finance a series of TV commercials, Perot appealed to millions with his anti-Washington, anti-deficit views. On election day, Perot captured nearly 20 percent of the popular vote for the best third-party showing since Theodore Roosevelt and the Bull Moose campaign of 1912.

Results Despite the serious challenge from Perot, the front-runners still divided up all the electoral votes: 370 for Clinton (and 43 percent of the popular vote), 168 for Bush (37 percent of the popular vote). Clinton and his running mate, Senator Albert Gore of Tennessee, did well in the South and recaptured the majority of the elderly and blue-collar workers from the Republicans. In addition, the Democrats again won control of both houses of Congress. The new Congress better reflected the diversity of the U.S. population. Among its 66 minority members and 48 women was Carol Moseley-Braun of Illinois, the first African American woman to be elected to the Senate.

Clinton’s First Term (1993–1997)

During the first two years of the Clinton administration, Senate Republicans used filibusters to kill the president’s economic stimulus package, campaign-finance reform, environmental bills, and health care reform. The president assigned his wife, Hillary Rodham Clinton, to head a task force to propose a plan for universal health coverage, which had been a goal of the Democrats since the Truman presidency. The complicated health care proposal ran into determined opposition from the insurance industry, small business organizations, and the Republicans, and it failed to pass again. Clinton also failed to end discrimination against gays in the military and settled for the rule, “Don’t ask, don’t tell.” Under this policy, members of the military could still be expelled for being gay or lesbian, but they would not routinely be asked or expected to volunteer information about their sexual orientation.

Early Accomplishments The Democratic Congress was able to pass the Family and Medical Leave Act and the “motor-voter” law that enabled citizens to register to vote as they received their driver’s licenses. The Brady Handgun bill, which mandated a five-day waiting period for the purchase of handguns, was enacted. In 1994, Congress enacted Clinton’s Anti-Crime Bill, which provided \$30 billion in funding for more police protection and crime-prevention programs. The legislation also banned the sale of most assault rifles, which angered the gun lobby led by the National Rifle Association (NRA). After protracted negotiation and compromise, Congress passed a deficit-reduction budget that included \$255 billion in spending cuts and \$241 billion in tax increases. Incorporated in this budget were the president’s requests

for increased appropriations for education and job training. Clinton also won a notable victory by signing the North American Free Trade Agreement (NAFTA), which created a free-trade zone with Canada and Mexico. Despite these accomplishments, Clinton's apparent waffling on policies and his eagerness to compromise confirmed his image among his critics, who nicknamed him "Slick Willie."

Republicans Take Over Congress

In the midterm elections of November 1994, the Republicans gained control of both houses of Congress for the first time since 1954. They benefited from a well-organized effort to promote a short list of policy priorities they called the "Contract with America." In addition, the Democratic Congress was unpopular because it had raised taxes and limited gun ownership. President Clinton adjusted to his party's defeat by declaring in his 1995 State of the Union address, "The era of big government is over."

Zealous Reformers Newt Gingrich, the newly elected Speaker of the House, led the Republicans in an attack on federal programs and spending outlined in their campaign manifesto, "Contract with America." While the president and moderates agreed with the goal of a balanced budget, Clinton proposed a "leaner, not meaner" budget. This confrontation resulted in two shutdowns of the federal government in late 1995, which many Americans blamed on overzealous Republicans in Congress. Antigovernment reformers were not helped by the mood after the bombing in 1995 of a federal building in Oklahoma City by militia-movement extremists. The bombing took 169 lives, the worst act of domestic terrorism in the nation's history until the attacks on September 11, 2001.

Balanced Budget Finally, in the 1996 election year, Congress and the president compromised on a budget that left Medicare and Social Security benefits intact, limited welfare benefits to five years under the Personal Responsibility and Work Opportunity Act, set some curbs on immigrants, increased the minimum wage, and balanced the budget. The spending cuts and tax increases made during Clinton's first term, along with record growth in the economy, helped to eliminate the deficit in federal spending in 1998 and produced the first federal surplus since 1969. In his battle with the Republican Congress, President Clinton captured the middle ground by successfully characterizing the Republicans as extremists, and by taking over their more popular positions, such as balancing the budget and reforming welfare. He was also aided in the 1996 election by a fast-growing economy that had produced more than 10 million new jobs.

The Election of 1996

Senator Bob Dole of Kansas, the majority leader of the Senate, became Clinton's Republican opponent. His campaign, which proposed a 15 percent tax cut, never captured voters' imagination. Character attacks and massive campaign

spending by both sides did little to bring more people to the polls, and the turnout dropped below 50 percent of eligible voters.

The Clinton-Gore ticket won with 379 electoral votes (49.2 percent of the popular vote), while Dole and his running mate, Jack Kemp, captured 159 electoral votes (40.8 percent of the popular vote). Ross Perot ran again, but had little impact on the election. Clinton became the first Democrat since Franklin Roosevelt to be re-elected president. The Republicans could celebrate retaining control of both houses of Congress, which they had not done since the 1920s.

The Technology Boom

During President Clinton's two terms the United States enjoyed the longest peacetime economic expansion in its history, with annual growth rates of more than 4 percent. Technological innovations in personal computers, software, the Internet, cable, and wireless communications fueled increased national productivity (a gain of more than 5 percent in 1999) and made "e- (or electronic) commerce" part of American life. High-tech companies, such as Apple, Intel, and Microsoft, were joined during the "dot-com" boom by the likes of Amazon, AOL, Yahoo, and Google.

After years of heavy competition with Europe and Asia, American businesses had become proficient in cutting costs, which both increased their profitability and held down the U.S. inflation rate to below 3 percent a year. Investors were rewarded with record gains of more than 22 percent in the stock market. The number of households worth \$1 million or more quadrupled in the 1990s, to more than 8 million, or one in 14 households. The unemployment rate fell from 7.5 percent in 1992 to a 30-year low of 3.9 percent in 2000. The unemployment of African Americans and Hispanics was the lowest on record. During the peak of prosperity from 1997 to 1999, average and lower-income Americans experienced the first gains in real income since 1973. However, the economic boom was over by 2001, and both investors and wage earners faced another recession.

Clinton's Second Term: Politics of Impeachment

The prosperity of the late 1990s shifted the debate in Washington to what to do with the federal government's surplus revenues, projected to be \$4.6 trillion over the first ten years of the 21st century. In 1997, Congress and the president did compromise on legislation that cut taxes on estates and capital gains, and gave tax credits for families with children and for higher education expenses. As Clinton's second term progressed, the struggle between the Democratic president and the Republican Congress intensified. The Republicans pressed for more tax revenue cuts, such as the elimination of the estate tax (the "death tax") and taxes on two-income families (the "marriage penalty"), while the president held out for using the projected surplus to support Social Security, expand Medicare, and reduce the national debt.

Investigations and Impeachment From the early days of the Clinton presidency, President Clinton, his wife, Hillary, cabinet members, and other associates had been under investigation by Congress and by congressionally

appointed independent prosecutors (a legacy of the independent prosecutor law of the Watergate era). Some Democrats viewed these investigations as a “right-wing conspiracy” to overturn the elections of 1992 and 1996. After long and expensive investigations, the Clintons were not charged with any illegalities in the Whitewater real estate deal, the firings of White House staff (“Travelgate”), or the political use of FBI files (“Filegate”). However, independent prosecutor Kenneth Starr charged that President Clinton, during his deposition in a civil suit about alleged sexual harassment while governor of Arkansas, had lied about his relations with a young woman who was a White House intern.

Impeachment In December 1998, the House voted to impeach the president on two counts, perjury and obstruction of justice. Members of both parties and the public condemned Clinton’s reckless personal behavior, but popular opinion did not support the Republican impeachment of Clinton for lying about his personal life. In the fall elections, Democrats gained House seats and Newt Gingrich resigned as speaker. In February 1999, after a formal trial in the Senate, neither impeachment charge was upheld even by a Senate majority, much less the two-thirds vote needed to remove a president from office. However, the Republicans damaged Clinton’s reputation by making him the first president to be impeached since 1868. A weary Congress in 2000 allowed the controversial law establishing the independent prosecutor’s office to lapse.

Foreign Policy in the Clinton Administration

The end of the Cold War, while taking away the Soviet threat, exposed dozens of long-standing ethnic, religious, and cultural conflicts around the world. During Clinton’s first term, Secretary of State Warren Christopher conducted a low-key foreign policy, which critics thought lacked coherent purpose. In 1997 Madeleine K. Albright became the first woman to serve as secretary of state. She proved more assertive in the use of American power, but questions still remained about the role of the United States, especially the use of its armed forces for peacekeeping in foreign nations’ internal conflicts.

Peacekeeping The first deaths of U.S. soldiers in humanitarian missions during the Clinton administration came in the civil war in Somalia in 1993. In 1994, after some reluctance, the president sent 20,000 troops into Haiti to restore its elected president, Jean-Bertrand Aristide, after a military coup and deteriorating economic conditions had caused an exodus of Haitians to Florida. The United States also played a key diplomatic role in negotiating an end to British rule and the armed conflict in Northern Ireland in 1998.

Europe The European Union (EU) became a unified market of 15 nations, 12 of which adopted a single currency, the euro, in 2002. The EU grew to include 27 European nations by 2007, including ten former satellites of the USSR, such as Poland, Bulgaria, and Romania.

Under President Boris Yeltsin, Russia struggled to reform its economy and to fight rampant corruption. In 2000 Yeltsin’s elected successor, Vladimir Putin, took office. Relations with the United States were strained by Russia’s

brutal repression of the civil war in Chechnya, by NATO's admittance in 1999 of the Czech Republic, Hungary, and Poland, and by Russia's support of Serbia in the Balkan wars of the 1990s.

The Serbian dictator, Solobodan Milosevic, carried out a series of armed conflicts to suppress independence movements in the former Yugoslav provinces of Slovenia, Croatia, Bosnia-Herzegovina, and Kosovo. Hundreds of thousands of members of ethnic and religious minorities, including many Muslims, were killed in the brutal "ethnic cleansing." A combination of diplomacy, bombing, and troops from NATO countries, including the United States, stopped the bloodshed first in Bosnia in 1995 and again in Kosovo in 1999. These Balkan wars proved to be the worst conflict Europe had seen since World War II, and were a troubling reminder of how World War I had started.

Asia Nuclear proliferation became a growing concern in the 1990s, when North Korea stepped up its nuclear reactor and missile programs, and India and Pakistan tested nuclear weapons for the first time in 1998. North Korea agreed to halt the development of nuclear weapons after direct negotiations with the Clinton administration, but later secretly restarted the program. In 1995, 20 years after the fall of Saigon to the Communists, the United States established diplomatic relations with Vietnam. The Clinton administration continued to sign trade agreements with China through his second term, hoping to improve diplomatic relations and encourage reform within China, despite protests from human rights activists and labor unions at home, and Chinese threats to the still-independent island nation of Taiwan.

Middle East Iraqi leader Saddam Hussein's continued defiance of U.N. weapons inspectors led to the suspension of all inspections in 1998. President Clinton responded with a series of air strikes against Iraq, but Hussein remained in power, as support for U.S. economic sanctions declined in Europe and the Middle East. The United States had some success in the Israeli-Palestinian peace process. Israel granted home rule to the Palestinians in the Gaza Strip and parts of the West Bank territories, and signed a peace treaty with Jordan in 1994. The peace process slowed after the assassination of Israeli Prime Minister Yitzak Rabin in 1995, and it broke down late in 2000 over issues of Israeli security and control of Jerusalem. Renewed violence in Israel also provoked a new round of anti-American sentiment in the Islamic world.

Globalization The surging increases in trade, communications, and the movement of capital around the world during this era were key parts of the process of globalization. Globalization promoted the development of global and regional economic organizations. The World Trade Organization (WTO) was established in 1994 to oversee trade agreements, enforce trade rules, and settle disputes. The powerful International Monetary Fund (IMF) and the World Bank made loans to and supervised the economic policies of poorer nations with debt troubles.

The Group of Eight (G-8), the world's largest industrial powers (Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United

States), which controlled two-thirds of the world's wealth, remained the leading economic powers. However, China, India, and Brazil would soon surpass many of the older industrial powers in the 21st century. The growing gap between the rich and poor nations of the world caused tensions, especially over the debts the poor nations owed to powerful banks and the richest nations. Workers and unions in the richest nations often resented globalization, because they lost their jobs to cheaper labor markets in the developing world.

American Society in 2000

According to the 2000 census, the resident population of the United States was 281.4 million, making it the third most populous nation in the world. The fastest growing regions of the United States in the 1990s continued to be in the West and in the South. With the growth in population came greater political power as a result of the shift of congressional representatives and electoral votes to these regions. The 2000 census reported that 50 percent of U.S. residents lived in suburbs, 30 percent in central cities, and only 20 percent in rural regions.

Immigration The Immigration Reform and Control Act of 1986 attempted to create a fair entry process for immigrants, but failed to stop the problem of illegal entry into the United States from Mexico. The law was also criticized for granting amnesty to some undocumented immigrants from Mexico and the Americas. In 2000, the Hispanic population was the fastest growing segment of the population and emerged as the largest minority group in the nation. Asian Americans also represented another fast-growing part of society, with a population of more than 10 million.

By 2000, 10.4 percent of the population was foreign-born, a high percentage but well below the levels of the 1870s through the 1920s. Immigration accounted for 27.8 percent of the population increase in the 1990s, and was a key stimulus to the economic growth during the decade. Without immigration, the United States was on a path to experience a negative population growth by 2030.

Aging and the Family As the United States became more ethnically diverse, the population was also "graying," with a steady increase in life expectancy. By 2000, 35 million people were over 65, but the fastest growing segment of the population was those 85 and over. As the baby-boom generation aged, concern about health care, prescription drugs, senior housing, and Social Security increased. It is estimated that in 2030 that there will be only about two workers for every person receiving Social Security.

The decline of the traditional family and the growing number of single-parent families was another national concern. The number of families headed by a female with no husband soared from 5.5 million in 1970 to 12.8 million in 2000. Single women headed 47.2 percent of black families in 2000, but the same trend was also evident in white and Hispanic households with children under 18. Children in these families often grew up in poverty and without adequate support.

Income and Wealth In many ways, Americans were achieving the American dream. Homeownership continued to climb during the prosperity of the 1990s to 67.4 percent of all households. The economy was continuing to generate more and more wealth. Per-capita money income in constant (inflation-adjusted) dollars rose dramatically, from \$12,275 in 1970 to \$22,199 in 2000. However, in 1999 the top fifth of American households received more than half of all income. The average after-tax income for the lowest three-fifths of households actually declined between 1977 and 1997. In addition, the distribution of income varied widely by race, gender, and education. For example, the median income in 2000 was \$53,256 for white families, \$35,054 for Hispanic families, and \$34,192 for black families. High school graduates earned only half the income of college graduates. The United States was the richest country in the world, but among industrialized nations, it had the largest gap between lowest and highest paid workers and the greatest concentration of wealth among the top-earning households. This concentration reminded some of the Gilded Age.

HISTORICAL PERSPECTIVES: WHAT DOES FREEDOM MEAN?

Freedom is a main theme of American history, but people disagree on what “freedom” means. Eric Foner in *The Story of American Freedom* (1999) traced America’s thoughts about freedom from the struggle for independence through the Reagan era. In the Civil War, both sides fought in the name of freedom, but for Confederates the right to enslave others was a “freedom.” The Reconstruction, Progressive, New Deal, and Civil Rights eras enlarged the meaning of freedom to include equal rights for all and increased political and economic protections, largely guaranteed by the federal government. During the Reagan Revolution, freedom was frequently defined as the liberation from “big government” and federal regulations. Foner attributed this change to reactions to forced desegregation in the 1950s and 1960s and federal court rulings promoting equality, privacy, abortion rights, and other issues. The Cold War also encouraged some to equate American freedom with unregulated capitalism.

While Foner saw freedom “as an essentially contested concept,” David Hackett Fischer in *Liberty and Freedom* (2005) pursued its meaning through American visual expressions, customs, and what Tocqueville called “habits of the heart.” Fischer’s analysis of the images and symbols from the Liberty Trees of the American Revolution through the protest posters of the late 20th century revealed the rich diversity of traditions about freedom that eluded abstract definitions. Hackett concluded that the United States remains free because of its diversity of traditions about freedom. He believes that the gravest threat to freedom comes from those incapable of imagining any vision of freedom except their own.

KEY NAMES, EVENTS, AND TERMS

Conservative Movement, (POL, CUL)

Milton Freidman
political action committees (PACs)
Proposition 13
Arthur Laffer
religious
fundamentalism
televangelists
Moral Majority
abortion rights; *Roe v. Wade*
reverse discrimination
Regents of University of California v. Bakke

Reagan Revolution (POL, WXT)

election of 1980
Ronald Reagan
supply-side economics (Reaganomics)
"trickle down"
economics
Economic Recovery Tax Act (1981)
business deregulation
PACTO strike
Sandra Day O'Connor
William Rehnquist
growth of upper incomes
budget and trade deficits
election of 1984

Reagan Foreign Policy (WOR)

Expand military
Strategic Defense Initiative (Star Wars)
Nicaragua; Sandinistas
Boland Amendment
Iran-contra affair
Beirut bombings

Palestine Liberation Organization (PLO)
Yasser Arafat
"evil empire"
Mikhail Gorbachev; *glasnost*, *perestroika*
"tear down this wall"
INF agreement

End of Cold War (WOR)

Tiananmen Square (1989)
Soviet satellites
Poland, Lech Walesa
Berlin Wall falls (1989)
Soviet Union breakup
Russia Republic, CIS
Boris Yeltsin
START I and II
Yugoslavia civil war

George H. W. Bush Policies (POL, WOR)

election of 1988
George H. W. Bush
Panama invasion (1989)
Saddam Hussein
Persian Gulf War (1991)
Operation Desert Storm
Clarence Thomas
"no new taxes"
Americans With Disabilities Act (1990)

Clinton Era Politics (POL, WXT)

election of 1992
William (Bill) Clinton
H. Ross Perot
failure of health reform
"don't ask, don't tell"
NAFTA
Brady Bill
National Rifle Association (NRA)
deficit reduction budget

Anti-Crime Bill
Election of 1994
Newt Gingrich
Contract with America
government shutdowns
Oklahoma City bombing
welfare reform
balanced budgets
election of 1996
Clinton impeachment

Post-Cold War Policies, (WOR)

Madeleine K. Albright
humanitarian missions
Northern Ireland
accords
Yugoslavia breakup
Balkan Wars: Bosnia, Kosovo
"ethnic cleansing"
nuclear proliferation
West Bank, Gaza Strip

Globalization (WOR)

European Union (EU);
euro
World Trade Organization
World Bank, G-8
China, India, Brazil
effects on jobs

2000 American Society (WXT, NAT)

prosperity of 1990s
technology boom
Internet, e-commerce
rise of South and West
Immigration Act of 1986
growth of Hispanics
"graying" America
single-parent families
distribution of income
concentration of wealth
debate over freedom